

Friday, October 26th, 2007

Fires: It has been a tough week in Southern California. My family's prayers go out to all of those families who lost their homes or businesses this week. And our thanks go out to those outstanding firefighters, particularly in Orange County, whose efforts prevented the arson-set Santiago Canyon fire from spreading through neighborhoods from Lake Forest to Santa Ana.

Democrat's Illegal Immigration Strategy: I have been trying to figure out all year exactly where the House Democratic Leadership wants to go on this hugely important issue. Now, it is becoming clear what they are doing. In both the recent SCHIP bill as well as a subsidized housing bill, provisions were inserted that state that the benefits are not available for illegal aliens. But the bills then remove any requirements that an applicant for the benefits show any proof of citizenship. Instead, all that is required is that the person gives a name and a Social Security number and claim that they are eligible. The applicant will then receive their benefits and cannot be denied. No checking need be done to see if the name and Social Security number match, and without picture ID (which is not required) there is no way to know if that is the applicant's real name. The benefits agency can check if Social Security numbers match if they want, but even then it can take up to a year before that match is denied, at which time the person could reapply under a different name or number.

The Illegal immigration problem we have in this country has been caused by having laws which either we cannot enforce or choose not to enforce. That is the policy we must change. We should be enforcing those laws. But the clear direction of several pieces of the Democrats' agenda this year is to perpetuate and expand that policy of unenforceable laws. They have clearly designed these bills to have laws that will be intentionally unenforceable.

That is simply wrong. If the Democratic leadership believes that illegal aliens should be covered by the programs, than they should have the courage to say it and put it in the bill. But don't pretend to want to limit benefits to citizens and then give illegals a wide open back door for benefits. We should enforce laws or not have them. In the case of immigration, I choose to enforce them.

The "Mother of All Tax Increases:" Believe it or not, I didn't make up that term. Charles Rangel (D-NY) is the author of a new massive tax increase proposal that he calls "The Mother of all Tax Reform Bills." He calls it tax reform. But it actually would be the largest tax increase in history. And since he is Chairman of the tax-writing Ways and Means committee, his proposals matter a great deal because he has the power to move them through the House.

The bill is huge, but here are the main points:

- It would repeal the alternative minimum tax (AMT). That's a good thing. But it replaces all the taxes that the AMT would have raised and just spreads around who pays them.
- Raises the tax rates on all incomes above \$150,000 for single filers and \$200,000 for joint filers by some where between 4% and 4.6%. This will install a new huge marriage penalty if the 2 income family earns over \$150,000 per year.

- It eliminates the 15% rate on capital gains and dividends, returning dividend taxes to regular rates and increasing capital gains taxes to 20%.
- This will mean a new marginal top tax rate of 44.2%, which would be the 5th highest in the world amongst the 30 largest industrialized countries.
- It lowers the corporate tax rate from 35% to 30.5%. But, they eliminated about 20 currently permitted business deductions including the use of LIFO inventories, the section 199 producer's deduction, deductions against non-repatriated foreign source income and the use of capital gains tax rates for carried interests by hedge funds. OK, if you're not a tax geek like I am (and you probably are not) then all of that may sound like Farsi to you (OK, I know some of your speak Farsi). Suffice it to say that many (if not most) corporations will see their taxes go up rather than down even with the lower rate. We currently have the 2nd highest business tax rate in the world amongst the industrialized countries and all of this will not change that much.
- Large businesses (C corporations) would be taxed at 30.5% while most small businesses (LLC's, S Corps and partnerships) would be taxed at 44%. Boy, there's a way to reward entrepreneurship.
- The bill would increase the standard deduction for individuals and change the earned income tax credit and child credit, but would phase out itemized deductions faster for incomes over \$150,000 (single) and \$200,000 (joint).
- Overall, you are now paying 18% of the total Gross Domestic Product (GDP) to the federal government in taxes. Under this proposal, that would rise to 24% by mid-century. So they are not just raising your tax rates, they are actually significantly raising the percentage of your total income, even after inflation, that goes to this money put in Washington DC.

A summary is this: This plan will repeal all of the tax cuts put in place during the Bush Presidency and add some new tax increases. People who pay little tax now will see a tax decrease, and those who pay no tax now may get a new refundable credit back. Some C corporations will pay more and some will pay less. Taxpayers with incomes over \$200,000 will get clobbered with marginal tax rate increases in excess of 25%. Those between say \$50,000 and \$150,000 will be mixed with some seeing and increase and others a decrease depending on the make-up of their income and deductions.

But Charlie Rangel's monument to himself (The Charles Rangel School of Public Policy) will go forward being paid for with \$2 million of your money. At least you know your tax increases are going to such worthy causes.....heavy sigh.

Before you jump out a window, I would expect the President to veto this if it ever got to his desk. But after 2008.....

More next week about an alternative tax reform offered by myself and 3 others. This tax reform does not raise anyone's taxes!

Until next week,

I remain respectfully,

Congressman John Campbell